Executive Branch

The collapse of the capo regime

President Vladimir Putin has made some very shrewd moves lately, moves that allowed him to punish transgressors in the government without really weakening them, to set up a potential successor in the prime minister's seat and then kick the chair out from underneath him before he could accrue undue influence, and, most dramatically, to set the political course for Russia by abandoning his detachment from party politics and embracing United Russia, a party he claims to have helped to found. (1)

During the course of events, a fundamental assumption underlying analyses of the Putin administration came jarringly to the surface: the collective Putin, and perhaps even the esprit de corps of the siloviki around him in general, is a myth. Whether or not it existed earlier in Putin's tenure, the Chekisty crew monolith clearly is no more.

The search for the "teams" of advisers around Putin began in 1999, when he assumed the role of prime minister (for the first time, as the near future may show). Friends from St. Petersburg, KGB associates from Germany and earlier in his career, Yel'tsin "Family" members, and other siloviki from other services who had helped Putin along, all rose to prominence and seemed to form distinct "clans" within the Putin Kremlin. Clearly, there was infighting among these clans, but it arose in exceptional circumstances, such as the arrest of Mikhail Khodorkovsky, which allegedly impelled Yel'tsin Family loyalist Aleksandr Voloshin to resign.
As the government settled into its role of primarily economic management, the circles of friends around Putin in the Kremlin came under scrutiny. The heavy presence of former security services officers was noted from nearly the beginning of the Putin presidency. However, the influx of associates from St. Petersburg, as well as a strong holdover contingent of Yel'tsin Family members, made Putin’s team seem, perhaps deceptively, diverse. Eventually, former members of the Yel'tsin team were evident almost exclusively in the government, and the Kremlin personnel represented a strong security services presence.

An article stemming from a research project based on interviews with Putin administration employees, identified some of Putin's closest advisers based on the frequency of their meetings with the president. The authors, Olga Kryshtanovskaya and Stephen White, emphasized the clannish aspect of the Putin Kremlin, noting Putin's tendency to meet with groups that seemed to represent institutions, such as the Security Council or Government. However the attendees of these meetings did not encompass the entire membership of the group they represented, and additionally included individuals who were not members of the institution. These non-institutional, informal group meetings appeared to set out Putin's style of governance as more personal than institutionally based.

Another facet of the research identified two individuals who were most often present at Putin's meetings, regardless of their institutional affiliation, and thus set them apart as, perhaps, the closest advisers to the president: Sergei Ivanov and Dmitri Medvedev. More recently, the status of Ivanov and Medvedev seemed to be confirmed by their positioning as frontrunner successors (via their appointments as First Deputy Prime Ministers, in particular) to President Putin in the lead up to the constitutionally-mandated 2008 presidential elections.
Putin's decision to accept the resignation of the Fradkov government last month and to appoint Viktor Zubkov as prime minister came as quite a surprise to many observers (who, given even the short lag time between resignation and appointment almost universally voiced the expectation that Sergei Ivanov would be the next PM), and to the first tier successor candidates, as well.

Putin's clear signaling of his intent to lead United Russia, and eventually the Russian government, completed the reversal of the slow ebb of power away from the president that began with the elevation of his putative successors. It also raises several questions about just who was aware of Putin's fall surprises, whether or not there is an unidentified consigliere (or consiglieri) in the Kremlin, and, perhaps most significantly to the former co-heirs apparent, whether or not they have lost the president's confidence.

Within this context of a rattling of the Kremlin hierarchy, a previously identified close associate of the president's, Viktor Cherkesov, chose a public appeal, via the media in the form of Kommersant, to admonish his siloviki (even chekisty) colleagues not to begin an "internecine" battle, following the arrest of some of his deputies in the State Narcotics Control Agency. (4) (For more on this issue, please see the "Security Services" section below.)

For a member of Putin's inner circle, and siloviki inner circle at that, to move outside the tight knit group and address his colleagues (and by extension the president) publicly is clearly a remarkable event. Cherkesov was believed to have the president's ear, but perhaps one of the former presidential lieutenants acted as his conduit to Putin. The president's unexpected political announcements, which ended any speculation of a real successor, also have pulled the rug out from under his twin numbers two. Putin also may have removed a keystone from his carefully-constructed Kremlin crew.
It well could be beneficial for Putin to sow confusion, as a means of stymieing ambition, in the ranks of his "colleagues." The Cherkesov article may reflect the unleashing of open warfare (if only for a moment) when once there merely were skirmishes fought quietly and beneath the rug, among Putin's apparatchiki.

Source Notes:
(3) Ibid.

Russian Federation: Domestic Issues and Legislative Branch

By Creeleia Henderson

The new workplace
A sea change is underway in Russia’s business community; self-made Russian business tycoons are being packed up and sent into retirement without ceremony, shouldered aside by smart aleck Masters of Business Administration. The businessman of the future, as Putin imagines him, is a steely prototype, designed to put an end to the sanguine stereotype that the world has come to recognize as the Russian oligarch. The nexus of luck, pluck and personal ambition that vaulted oligarchs and “mini-garchs” to market dominance for nearly two decades already had diminished to quaint anachronism when President
Vladimir Putin stepped up to the podium of the Federation Council last week to address lawmakers on Russia’s urgent need for a professionalized native labor force. (1) The speech delivered by Putin outlined a series of measures aimed at building up the nation’s professional cadres—world-class analysts, pioneering technologists, and top-notch management—trained by experts at publicly-financed business administration programs. The president’s vision for the future of the Russian workplace closed a chapter of Russia’s post-Soviet cultural history and opened a new one, populated by vastly better-groomed characters, managers capable of sustaining and building upon the recent gains to the Russian economy in the years to come.

Unfortunately, the focus and scope of the president’s professionalization program were obscured by the unsavory tone of his speech, barbed with demagogic appeals to push foreign executives out of the Russian workplace. His vision represented the blunt challenge of an outgoing president to his government and to the Russian people, a call to take back the corner offices from an elite strata of foreign specialists who have set Russia’s corporate agenda for too long. (2) His provocative rhetoric caught the attention of several business dailies, in which he was quoted as saying: “You know that management, that thin layer of upper management is made up mainly of foreign specialists. And until we achieve ‘import substitution’ not just in major companies, but in all other economic sectors, we will be beaten by imports.” (3) Putin did not want for bombast to convey the ambition of his vision for the Russian marketplace, but in place of optimism his words conveyed a sense of insecurity that Russians are in danger of falling behind the foreigners in their midst.

The speech set off a buzz of speculation in Russia’s business community. While skittish foreign executives sought reassurance from the government that their positions were secure for the moment, news analysts highlighted the growing volume of anti-foreigner rhetoric coming from officials. Bloggers picked up on comments made that same day by Nikolai Patrushev, head of the Federal
Security Service, alleging that foreign agents are hatching plans to dismember Russia, (4) to draw the conclusion that xenophobia is in full swing ahead of upcoming elections. (5) Sources close to the president dismissed the idea that chauvinism was coloring the administration’s policies as unfounded speculation. One insider reduced the president’s nationalistic rhetoric to the bland slogan, “invest in Russia,” and pointed to an analogous recommendation by Putin to owners of Russian football clubs to cultivate native talent instead of spending millions abroad. (6) Dmitri Peskov, official Kremlin spokesman, repackaged the president’s words into an upbeat message aimed at foreign executives in Russia: “It doesn’t mean that Russians are preferable, but the process by which they are becoming compatible and competitive with their foreign colleagues is very satisfying,” he is quoted as saying. (7)

The administration’s benign spin was taken up by Andrew Somers, president of the American Chamber of Commerce in Russia, a man eager to keep foreign investment flowing into the country: “I don’t take it as hostile to foreign management but as a challenge to the Russian business community to accelerate the education of their top managers so they are not too dependent on foreign workers.” (9) Others are less sanguine. “Putin going all Robert Mugabe is nothing more than further affirmation that Russia is the world’s largest banana republic, only without the nice weather,” quipped an anonymous representative of the foreign business community living in Moscow. (9)

The image of Russia as a backward nation is certainly contrary to the message of progress that Putin apparently had intended to convey, and a distressing distraction from his program to advance the professional culture in Russia. A spirit of international cooperation only will aid measures already undertaken by the government to build a world-class labor force, a fact acknowledged by Putin when he welcomed the recruitment of foreign experts to serve on the faculty of the newly-established Skolkovo Business School. Billed as the “Harvard of the East,” the management institute currently under construction is set to open in
2009. (10) Russian management programs already are beginning to turn out the first round of native-schooled business candidates who are being recruited immediately upon graduation by many the country’s leading firms. (11)

The president's insinuation of a foreign monopoly over upper management came as a surprise to experts who point out that the popular perception of an elite class of foreigners sitting at the head of Russian companies simply does not correspond to reality. Peter Forro, senior consultant at the executive recruitment firm Neumann International, reviewed the country’s leading firms and found that foreigners are in fact a relative rarity among upper management, and practically non-existent within the hierarchy of the country’s strategic sectors. (12) A few high-profile executives such as Peter O'Brien at Rosneft are exceptional cases, invited to join the elite ranks of government-appointees heading the country’s energy giants, in order to give the Russian firms an “internationalist” advantage by attracting investment and raising capital in the global marketplace. (13)

The economic prognosis is rosy. Putin has overseen the emasculation of the oligarchs as a class and facilitated the rise of a new managerial class equipped to take the helm of a strong and stable national economy. In effect, Putin is reinventing the image of the “new Russian.” Just as the market demanded connections and cunning in the pre-Putin era, the post-Putin (or is it Putin-continued) market promises to reward professional expertise and efficiency. As the president nears the end of his second and, conceivably, final term in office, he can point to his project to transform Russian business culture as an extension of his legacy. Whether the country’s newly-minted Masters of Business Administration will carry on Putin’s understanding of the global market as a geo-strategic game of “Russia versus the world,” time will tell.

Source Notes:
(2) Ibid.
(4) “Nikolai Patrushev claims that foreign spies to foment discontent in Russia,” Pravda, 10 Oct 07 via http://english.pravda.ru/world/98553-security-chief-0.
(8) Ibid.
(9) Private correspondence with author, 11 Oct 07.
(10) The school's website, outlining its aims and curriculum, is operational via http://www.skolkovo.ru/.
(13) Profile of Peter O’Brien on Rosneft official website, via http://www.rosneft.com/about/management/8819.html.

Russian Federation: Security Services
By Fabian Adami

8
Elections & espionage – Patrushev’s rant

On 2 December, Russia will hold legislative elections. In the past few weeks, the implications of these elections have increased, due in no small part to President Vladimir Putin’s intimation that he might consider heading the United Russia list and, consequently, the Government. One of the “preconditions” for such a move apparently is that United Russia does particularly well in the forthcoming election. (1)

Although it is doubtful that anything other than victory will result for the President’s party, Russian authorities are determined to cover their bases by making “security” a central electoral theme. Not surprisingly, the lead fear-monger is FSB Director Nikolai Patrushev.

On 10 October, Patrushev was interviewed by Argumenty i fakty. Patrushev claimed that Russia was at risk of destabilization, due to the influences of foreign intelligence agencies, which are funding “actions against Russia,” as well as focusing on “obtaining information about the situation related to the upcoming State Duma and presidential elections in Russia.” (2) The goal of foreign agencies, according to Patrushev, is to “exploit protest elements existing in Russia to benefit their respective governments.” (3) Not surprisingly, the agencies singled out by Patrushev were the CIA, and Britain’s MI6, for which he reserved special vehemence.

MI6, Patrushev stated, has “since the times of Queen Elizabeth I...operated on the principle that the ends justifies the means. Their main methods are money, bribery, blackmail and immunity from prosecution.” (4) Patrushev’s net went wider than simple “direct operations.” Patrushev commented that the CIA and MI6, together with Turkish Intelligence (which is allegedly seeking to turn Russia’s Muslim population against Moscow), (5) are using their proxies in the Baltic States, former Soviet Republics and satellite states to carry out anti-Russian operations. (6)
While the focus on MI6 may be explained in part by the ongoing diplomatic row between Britain and Russia over the murder of Aleksandr Litvinenko, Patrushev’s comments against former Soviet and Warsaw Pact states probably have two aims: First to appeal to Russian nationalism, and second, to create the impression for “ordinary Russians” that “spies” are “all around them,” (7) and that, therefore, to vote for a change in the Duma, (thereby potentially denying Putin’s ambition) would be dangerous for Mother Russia.

In brief: SVR under new leadership--Is Fradkov himself ex-KGB?
For the last seven years, Sergei Lebedev has been head of Russia’s Foreign Intelligence Service, the SVR, which succeeded the KGB’s First Chief Directorate. On 8 October, President Putin signed two decrees. The first removed Lebedev from his post at SVR, while the second appointed former Prime Minister Mikhail Fradkov in his stead. (8)

Mikhail Fradkov has served in a number of Russian governments, including stints in (former SVR chief) Prime Minister Yevgeni Primakov’s government as Minister for Foreign Economic Relations and Trade, and then, Minister of Trade. (9) At first glance, his career would appear to be entirely political—and as such, his appointment to the SVR may seem somewhat strange—why would a civilian be appointed to such an influential post? It must be said, that it is highly unlikely for an individual with no intelligence training to be given such a position. However, an examination of Fradkov’s career indicates that he may have long-time ties (at least) to the Intelligence Services.

In 1973, at the age of 23, Fradkov was posted to New Delhi, where he worked in the Soviet Embassy’s Foreign Trade and Economic section. (10) The Soviet Union’s Foreign Trade department allegedly was a long-term cover for the KGB’s First Chief Directorate. (11) If this is true, it would go some length towards explaining Fradkov’s career path, in the sense that he may be following in the
tracks of Yevgeni Primakov, who moved from the SVR to the Foreign Ministry and thence to the Prime Minister’s post during the 1990s, taking many of his people with him.

Assuming that the KGB-Foreign Trade ties are valid, it is possible that Fradkov was a Primakov loyalist before joining President Putin’s team, with his appointments first to Head of the Tax Police in 2001, and then to the Premiership in 2004. As such, Fradkov’s move to the SVR may be an appointment acceptable to both Putin and Primakov.

**Politkovskaya update: FSB “traces” murder weapon**

Since early September, Russian authorities claim to have made significant progress in the Politkovskaya murder case. A number of individuals, including an FSB Officer, have been arrested and charged with conspiring over Politkovskaya’s murder. Together with the Prosecutor General’s office, the Security Services are claiming that Politkovskaya was murdered in order to discredit President Putin, and that the conspiracy was run from abroad, with Chechens serving as the assassins. (12)

On 7 October, Petros Garibyan, the lead investigator in the case was interviewed by Novaya gazeta. Garibyan claimed that the authorities are now certain who the “trigger man” was, although he has not yet been charged. Garibyan also noted that he and his team had some “interesting suggestions” as to who had ordered the assassination, but would not “say anything more.” The “professionally cunning intermediate link” apparently still needs to be found. (13) Clearly, the Security Services would like to build more of a case before naming the usual “villain” of the piece: Boris Berezovsky.

Three days after Garibyan’s interview, “sources in the law enforcement agencies” claimed that they had traced the murder weapon left at the scene (a Makarov pistol) to an “underground workshop” in Dagestan, where weapons were built...
from scavenged parts. The workshop apparently was discovered in the course of a special operation. (14) The tracing of the murder weapon likely will be followed in coming weeks, given the history on this case to date, by revelations on how Berezovsky supposedly set up and pulled off the hit.

**Gosnarkontrol: Anti-corruption arrests as excuse for takeover?**

On 3 October, Lieutenant General Aleksandr Bulbov, Head of Operations for Gosnarkontrol (GSK)—Russia’s equivalent to the DEA—was arrested in Moscow. (15) Two other high-ranking officials in the service, named as Yuriy Geval, Head of Internal Security, (16) and Major Sergei Donchenko (17) were arrested within days of Bulbov’s detention. All three officers have been charged with a variety of offenses, including extortion, bribery, (18) abuse of office, exceeding their powers, and illegal wire-tapping. (19)

A response to the arrests by Viktor Cherkesov, Head of GSK, was not long in coming. Cherkesov attempted to obtain Bulbov’s release by sending several of his deputies to the court, to vouch for Bulbov’s character and to seek his release. (20) More surprisingly, Cherkesov submitted an open letter to Kommersant, in which he argued that the arrests were part of “infighting among the special services,” (21) and that action must be taken to prevent “scandal and all-out fighting,” which would lead to a “disintegration of the network” (of former KGB Officers) running the country. (22) Cherkesov also noted that a significant number of Security Service officers had become involved in private enterprise since 1991, and that such moonlighting had to be rectified: “we mustn’t allow warriors to become traders…We mustn’t shift from normal to arbitrary ways.” (23) Cherkesov’s comments well may have been poorly thought through, but however inadvertent it was, the statement lends credence to the administration’s anti-corruption campaign. It also may be used against Cherkesov in the near future.

Cherkesov’s argument vis-à-vis internecine struggle is probably prescient: the arrests at GSK likely mark an attempt by FSB to subsume yet another agency.
But, agency take-over is clearly not the whole picture. The moves against GSK may be part of a wider anti-corruption campaign being waged at present by Putin and Viktor Zubkov, a campaign that appears designed as a purge to clear an over-powerful executive and open the way to a Putin Premiership. (24)

Source Notes:
(2) “Foreign Intelligence Services Interested In Domestic Situation Ahead of Elections,” Agentstvo voyennykh novostey (Internet Version), 10 Oct 07; OSC Transcribed Text via World News Connection.
(3) Ibid.
(4) "Bribery, Blackmail and Bond-Style Gadgets. What The FSB Says Britain is Up To in Russia," The Guardian, 11 Oct 07.
(6) “FSB Head: US, UK Intelligence Use Baltic States To Influence Situation in Russia; ‘Britain Trying to Influence Situation in Russia With Help of Baltic Secret Services—FSB Chief,’” Riga BNS News In English, 11 Oct 07; OSC Transcribed Text; Interfax via World News Connection.
(8) “Russian Foreign Intelligence Service Chief Steps Down, Mikhail Fradkov Appointed,” ITAR-TASS, 9 Oct 07; OSC Transcribed Text via World News Connection.
(12) See The ISCIP Analyst, Volume XIV, Number 2 (4 Oct 07).
(14) “Pistol that Killed Russian Journalist Possibly Made in Dagestan,” Interfax, 10 Oct 07; BBC Monitoring via Lexis-Nexis.
(16) “Experts Link Senior Officer’s Arrest to ‘War’ Between Russian Special Services,” Ren-TV, 3 Oct 07; BBC Monitoring via Lexis-Nexis.
(17) “Moscow Court Sanctions Arrest of Another Anti-Drugs Official,” ITAR-TASS, 5 Oct 07; OSC Transcribed Text via World News Connection.
(18) “Secret Police Struggle Rocks Russia,” The Independent, 11 Oct 07 via www.independent.co.uk/europe/article3047628.ece
(21) Ibid.
(23) Ibid.
Russia warns of renewed space race
On 4 October 1957, the Soviet Union shocked the international community when it launched the world’s first man-made satellite; Sputnik orbited the earth for nearly three months emitting a high-pitched signal that reverberated around the world. The Soviet Union’s apparent technological superiority caused panic in the West and ignited a race for dominance in space. The fear, of course, was not of the satellite itself, but of the rocket that had launched it into space – the world’s first intercontinental ballistic missile (ICBM). Not only did Sputnik give the USSR instant “superpower” status, it added a new dimension to the Cold War (1) and raised concerns about the ability to wage war in or from space.

Half a century later, the Soviet Union is no more, but echoes of competition reverberate through US-Russian relations. On 1 October, the Pentagon announced a second successful test of its Ground-based Midcourse Defense system, (2) which eventually is to be incorporated into a European-based missile defense network. President Bush signed a new US Space Policy last year reemphasizing America’s right to act in space, (3) and the US government repeatedly has rejected calls for a ban on space weapons.

Though the White House is taking great pains to reassure Russia that its anti-missile defense system will not be targeted at Russia and that the new space policy is aimed at defending US assets in space, the Kremlin does not appear to be convinced. President Putin has made it very clear that Russia will do everything it can to counter any missile defense system, and other senior Russian officials are calling for the US to halt any further militarization of space.
Last week Russian Space Forces Commander, Col. Gen. Vladimir Popovkin warned that Russia would take appropriate measures, should any country decide to deploy weapons in outer space: “We don’t want to fight in space, but on the other hand, we’ll not allow any other country to play the master in outer space.” (4) “If any country deploys weapons in space, then the laws of warfare are such that retaliatory weapons will definitely emerge ... This process may have an avalanche effect.” (5) Maj-Gen. Vladimir Dvorkin, former director of the 4th Central Research Institute of the Russian Defense Ministry, stated, that while the anti-missile system of the US is unreliable against ballistic missiles, it can engage other nations’ undefended satellites with “near 100 percent probability,” (6) thereby putting at risk every system in space. Dvorkin stated that Russia also has the potential for producing weapons designated to fight in space (though to a lesser extent than the US) and warned that current US policies could drive Russia to “reanimate” this capability. (7)

Several high-level Russian officials and academicians have joined Dvorkin and Popovkin in advocating an international space treaty to avoid the militarization of space. Popovkin warned that though only Russia and the US currently are capable of putting weapons in space, China, Europe and several other countries rapidly are developing the capability. (8) Russian scientist Roald Sagdeyev from the Russian Academy of Sciences pointed out that the successful test of a Chinese anti-satellite missile last spring (9) should have made it clear to the world that some sort of space treaty is needed. Russia has developed a framework for such a treaty and claims to have Chinese support, (10) but allegedly has pointed out that the US has reacted very “ambiguously” to such efforts. (11)

All this rhetoric does not mean, of course, that the Kremlin is planning to curtail Russian space research and development. Russia says it has earmarked $1.4 billion for space this year (an increase of 6 percent over last year), doubled spending for space navigation and has plans to increase overall space spending
by 20 percent next year. (12) Officials also have announced plans to conduct twenty scientific space projects by 2015, including manned flights to Phobos—a Mars satellite—and to the Moon. (13) The head of the Russian Space Agency, Anatoli Perminov, says Russia has even bigger plans for the very long term, including a space station on the Moon, a space shuttle, and a man on Mars within 30 years. (14) Perminov also says that the Russian satellite navigation system GLONASS will overtake the US GPS constellation by 2011. (15) (The US currently controls 98 percent of the world’s satellite navigation.)

Acting First Deputy Prime Minister Sergei Ivanov is a driving force behind the strengthening of Russia’s space program and has suggested that “cosmonautics” ought to be added to President Putin’s list of national projects. (16) In an interview last month, Ivanov stated that space was a priority for Russia on the same level of importance as its nuclear capability. (17) Ivanov listed four indicators of “space sovereignty” to be used to judge leadership in space exploration: launch services, ground-based infrastructure, production of space apparatus and training. (18) Of these four, Ivanov says Russia needs improvement in all but launch services. (19) Ivanov’s views are echoed by Duma members, who have called for a restoration of the balance of power in space to ensure economic, social, and military advancement in Russia. (20)

Russia clearly understands the geopolitical power that comes with mastery of space and recent announcements are in line with Kremlin moves to reassert Russia’s place as a global power. But desiring to be an international space power and planning to lead the world in space research does not make it so. Though Ivanov claims spending has doubled from 0.5 percent of GDP in 2001 to nearly 1 percent today, (21) most doubt Russia will be able to meet many of its lofty space goals. Current Russian satellites are notoriously unreliable, and even the re-invigorated Russian economy is unlikely to be able to meet the exorbitant costs required to overcome nearly twenty years of neglect in space research and development. By way of comparison, NASA’s FY 07 budget is over $16 billion,
(22) more than eleven times the Russian space budget. While Russia may succeed in convincing the international community to work toward universal “rules of play” in space, it is very unlikely that it will be able to take the lead in a new space race.

Source Notes:
(5) Ibid.
(7) Ibid.
(10) “Space Forces Commander Says Russia Against Militarization of Space,” Moskovskiy komsomolets, Moscow, In Russian 4 Oct 07; BBC Monitoring International Reports, 8 Oct 07 via Lexis-Nexis.
(11) Ibid.
(15) “Russia Wants to Revive Space Dominance,” Deutsche Presse-Agentur, 1 Oct 07 via Lexis-Nexis.
(16) “Acting First Deputy PM Ivanov Calls for Developing Space Industry,” BBC Monitoring International Reports (ITAR-TASS, Moscow, in Russian 17 Sep 07), 17 Sep 07 via Lexis-Nexis.
(17) Ibid.
(18) Ibid.
(19) Ibid.
(21) “Acting First Deputy PM Ivanov Calls for Developing Space Industry,” BBC Monitoring International Reports (ITAR-TASS, Moscow, in Russian 17 Sep 07), 17 Sep 07 via Lexis-Nexis.

The thoughts and opinions expressed in this article are those of the author and do not necessarily reflect the official position of the United States Air Force, Department of Defense, or the United States government.

Russian Federation: Foreign Relations
By Melissa McGann
Despite Sarkozy’s charms, the stalemate continues

French President Nicolas Sarkozy made his first official visit to Moscow for two-day talks with President Vladimir Putin where energy, economic relations and human rights were on the agenda. (1) Above all, the meeting appears to have been an attempt to increase bilateral cooperation and to better align the positions of Russia and the West across an array of current international issues. In the weeks leading up to his visit, Sarkozy traveled through Eastern Europe criticizing Russia for its use of oil as a lever in Europe and for the Chechen conflict, as well as categorizing Russia as a country that “complicates the resolution of major world problems.” (2) Russia’s position opposite the West on recent issues regarding Kosovo, the US missile defense system, and Iran’s nuclear ambitions, he said, appears to be an attempt to reassert its political clout by “sowing division to boost influence” in negotiations with the West. (3) With Putin’s resistance to western pressure and Sarkozy’s critical comments in recent weeks, Sarkozy’s “charm offensive” (4) in Moscow came as a surprise. At their first meeting, Putin recited a Russian poem, and Sarkozy stated his commitment to understand the Russian perspective. (5) Throughout the visit, both leaders appeared to draw attention to their willingness to better understand their conflicting perspectives and to diminish the friction that has been developing between Russia and the West.

From reports during the visit, strained relations between Russia and France seemed to be absent, as Putin and Sarkozy praised one another and reinvigorated bilateral cooperation on a number of projects, particularly trade between the two countries, which has increased by 37% since 2005. (6) Sarkozy stated that France aimed to avoid protectionist policies and to invest in “large Russian companies, such as Gazprom.” (7) Putin also promised transparency in any Russian companies with European investors and restated Russia’s commitment to increased investment in Europe. In regard to the Iranian uranium enrichment program, Sarkozy stated that Russian and French “positions have moved much closer together” on inspections at Iranian facilities and transparency
regarding its nuclear ambitions. (8) Though Russia previously had opposed Kosovo’s request for independence from Serbia, Sarkozy hinted that the two had discussed a possible “path” toward a solution, but this path was not laid out to the press. (9) At a symbolic set piece event, Putin and Sarkozy unveiled a memorial to French WWII pilots in a park in Moscow to symbolize appreciation for the efforts of French and Russian soldiers fighting side by side against the Nazis. (10)

The cozy visit between the two leaders in Moscow seems to suggest that Sarkozy is conscious of the need for continuing the appearance, at least, of the close relationship with Putin, established by his predecessor Jacques Chirac. Based on reports of the visit, the economic relationship between Moscow and Paris has been strengthened and both leaders outwardly emphasized the benefits of a close partnership. If Sarkozy successfully plays the role of mediator between Russia and the rest of the West, it would certainly strengthen his hand in Europe as he takes the helm of the rotating EU presidency in the second half of 2008. (11) If Putin is seen by the international community as more willing to open the diplomatic lines of communication on these issues, it could further his ambitions for Russia’s role as a major global player. As Sarkozy noted, it is the intent of Europe to become one of the poles in Russia’s vision for a multi-polar world. (12)

The actual impact of Sarkozy’s visit is dubious. Although it was reported that the two leaders views had become closer, it appears that Russia’s position remains relatively unchanged. In regard to further sanctions against Iran, President Putin stated this week, following the visit with Sarkozy, that given the lack of “objective data,” Russia would “proceed from the assumption that Iran has no such plans.” (13)

Additionally, Russian Foreign Minister Sergei Lavrov and Defense Minister Anatoli Serdyukov met with US Secretary of State Condoleezza Rice and
Defense Secretary Robert Gates in Moscow on 12 October for the stated purpose of bridging the widening gap regarding the proposal by the US to deploy a missile defense system in Eastern Europe. (14) The reports from this meeting suggest that attempts to reduce the tensions between Russia and the West have failed. The US states that the missile defense system is designed to shoot down long-range missiles launched by “rogue states,” notably Iran, but Russia continues to object to the proposed US missile defense system, stressing that Iran doesn’t have the long-range missile technology or nuclear warheads (as yet), against which the system is designed. (15)

It appears that rather than the positions of Russia and the West moving closer following Sarkozy’s charm offensive, Putin emphasizes positions that differ markedly from those of the West.

Source Notes:
(2) RIA Novosti, “French Commentators say Country’s Attitude to Russia unchanged,” 9 Oct 07 via Lexis-Nexis.
(7) Ibid.
(10) RIA Novosti, “Putin, Sarkozy Unveil Memorial to French WWII Pilots in Moscow,” 10 Oct 07 via Lexis-Nexis.
(15) Ibid.

Russian Federation: Special Feature
By Alexey Dynkin

ENERGY POLITICS
Debt – what debt?
Gazprom, Russia’s state-owned gas monopoly, has announced that the latest conflict between Russia and Ukraine over payments for Russian gas deliveries has been resolved. According to the company’s statement, issued after a meeting between Gazprom Head Aleksei Miller and Ukrainian Minister of Fuel and Energy Yuri Boiko on October 8, the Ukrainian debt is to be repayd by November 1, with the first payment, a sum of $200 million, due by October 24. In case of failure to repay the debt in full by November 1, Acting Director of the transit company RosUkrEnergo Konstantin Chuychenko added that gas deliveries to Ukraine would be cut in proportion to the unpaid amount. (1)

This round of the dispute began on October 2 (just days after Ukraine's parliamentary elections), when Gazprom announced that Ukraine owes more
than $1.3 billion for gas deliveries and threatened to cut deliveries if the debt was not repaid — warning European consumers of possible transit problems if the dispute was not resolved. (2) The Ukrainian government responded that, first, this debt is not owed by the state, and, second, that the amount presented by Gazprom is exaggerated. According to the president’s representative to the cabinet of ministers of Ukraine, Aleksandr Shpalak, this debt actually breaks down into three parts. First, the Ukrainian state-owned gas company Naftogaz Ukraine owes $700 million to UkrGazEnergo — the company that provides gas purchased through Gazprom to the Ukrainian market. Second, UkrGazEnergo owes another $300 million to RosUkrEnergo, and third, RosUkrEnergo itself owes yet another $300 million to GazpromExport. (3) In total, then, the debt indeed comprises $1.3 billion, but if the breakdown that Shpalak presented is accurate, then Gazprom’s presentation of this amount as the amount owed to it raises some interesting questions. To understand this, it is necessary to understand a bit about the way in which Gazprom exports gas to Ukraine.

In 2004, during the presidency of Leonid Kuchma (and when Viktor Yanukovich was serving as Prime Minister), RosUkrEnergo was set up as an intermediary company through which Gazprom would export Central Asian gas to Ukraine. The company was registered in Switzerland as a “joint venture between Russian and Ukrainian shareholders.” (4) As it turns out, the shareholders may be both Russian and Ukrainian, but both executive directors, Konstantin Chuychenko and Dmitry Glebko, their Ukrainian-sounding names notwithstanding, are quite prominent in the Russian energy sector. Glebko is the former deputy head of the Moscow Representation of Ural Trans Gas and Chuychenko is head of the Legal Department and member of the board of OJSC Gazprom. In addition, three of the eight members of the company’s Coordination Committee (Valeri Golubev, Aleksandr Medvedev and Sergei Khomyakov) are deputy chairmen of Gazprom, and one, Stanislav Tsygankov, is the head of the foreign-economic department of Gazprom. (5) The other distribution company, UkrGazEnergo, was set up more recently—in early 2006—under then-Prime Minister Yuri Yekhanurov of the Party
of Regions. It is co-directed by Gazprom vice-chairman Alexander Ryazanov, who is also a member of RosUkrEnergo's board; and Naftohaz Ukrainy vice-chairman Ihor Voronin, who is, according to Vladimir Socor of the Jamestown Foundation, “widely believed to have close links with RosUkrEnergo, and was listed as a member of the latter's board in 2004.” (6) The function of UkrGazEnergo is to purchase the gas, itself purchased from Gazprom, from RosUkrEnergo, and only then sell it on the Ukrainian market. (7) In this way, Gazprom is able to export Russian and Central Asian gas directly to Ukrainian consumers, bypassing Naftohaz altogether.

Considering the relationships between prominent figures in these companies and their relationship with Gazprom, it becomes apparent that both RosUkrEnergo and UkrGazEnergo essentially serve as fronts for the former. But why go through the motions of setting up supposedly “joint” companies with Ukrainian partners, and then have them sell each other gas before selling it to Ukraine? One reason already was mentioned – to bypass Gazprom’s Ukrainian counterpart Naftohaz and sell its gas directly on the Ukrainian market. The other reason, whether originally intended or not, has been demonstrated very well by the latest gas dispute. As noted earlier, it began when Gazprom presented Ukraine with a bill of $1.3 billion. When that figure was broken down into who really owed what to whom, it became evident that in reality only the $700 million that Naftohaz owes to UkrGazEnergo legitimately can be considered a Ukrainian debt to Russia; the remaining amount consists of money that Gazprom’s front companies owe to each other or to Gazprom. But since these companies are theoretically Ukrainian, Gazprom is able to present the full sum as a Ukrainian debt and, as a result, inflate the real Ukrainian debt nearly twofold.

Since the whole thing had been presented as a “national” Ukrainian debt to Russia, it ultimately had to be resolved by a meeting of the two prime ministers – Viktor Yanukovich and Russia’s new Prime Minister, Viktor Zubkov. Here, one cannot help but notice the close timing of the dispute with the recent
parliamentary victory of Ukraine’s Orange coalition, which, according to Gazeta.Ru, creates a strong possibility that Yanukovych’s post soon will be held by Yulia Tymoshenko, who has made it a point to promise to make major changes in Ukraine’s gas relationship with Russia, if she becomes prime minister. (8) According to this scenario, the reason for presenting such a huge debt at this time is to take advantage of a pro-Russian Ukrainian government while it is still in power. As Gazeta.Ru further notes, whoever eventually does end up winning the prime ministerial post will find it very difficult to reverse the decision that already has been made. (9) It is very unlikely that Tymoshenko would have bent to Russian demands as easily as Yanukovich.

Another question is to what extent, if any, the dispute may be related to the recent re-shuffling of the Russian government. In other words, was there any particular reason for having Russia’s new prime minister meet with his counterpart in Ukraine, whose own days in office are likely numbered? Certainly the crisis appears to have been resolved rather strongly in Russia’s favor; not only was Ukraine compelled to acknowledge Gazprom’s version of the debt, but it promised to repay in very short order – after all, the November 1 deadline gives it barely three weeks to come up with the sum (although indications are that it will end up having to pay most of it in kind). If the idea was to give the new Russian prime minister an easy victory, it seems rather obvious that the ultimate beneficiary of this victory is Putin. Indeed, after meeting with Zubkov, Yanukovich immediately met with Putin in what has been described as a rather sharp conversation, with Putin essentially telling Yanukovich that in the future Ukrainians can expect to become dependent on Gazprom directly, and advising Yanukovich that Ukraine’s “governing structures” should make plans accordingly. To this, Yanukovich reportedly had nothing to say but “we understand this very well.” (10) If that is the case, there seems little doubt about who the ultimate winner of this dispute is.

Source Notes:
Newly Independent States: Caucasus

By Robyn Angley

NAGORNO KARABAKH

Nagorno Karabakh’s new leader asks to be heard

Azerbaijan’s separatist region, Nagorno Karabakh, held elections for a new president on 19 July. The winner was Bako Saakian, who garnered 81.1 percent
of the vote, according to Nagorno Karabakh’s election committee. (1) Masis Mailian was the only other candidate to get a percentage of the vote that exceeded single digits. He received 12.5 percent of the vote. (2) The candidates were competing to replace Arkady Gukasian, who served as president for the constitutional limit of two five-year terms. The new president was sworn in on 7 September and the inauguration was attended by Armenian president (and former president of Nagorno Karabakh) Robert Kocharian, as well as representatives of the Georgian separatist republics of South Ossetia and Abkhazia. Not surprisingly, Azerbaijan declared the elections illegitimate.

Bako Saakian is a native of Nagorno Karabakh. He was born in Stepanakert and has a degree in law. His early career involved working as the Moscow representative of the Armenian Interior and National Security Ministry. (3) He also served briefly as Nagorno Karabakh’s foreign minister. (4) In 1999, he replaced Artur Aghabekian as Nagorno Karabakh’s Interior Minister. Saakian headed Nagorno Karabakh’s Interior Ministry until 2001 (5) and served as the head of the Nagorno Karabakh security services from 2001 to June 2007, when he resigned in order to run for president. Saakian’s candidacy received the support of the four parties represented in Nagorno Karabakh’s parliament: the Democratic Party of Artsakh, the ARF Dashnaktsutyun, the Azat Hayrenik Party and the Movement 88 party. (6)

Saakian has moved to have his Nagorno Karabakh government formally included in the OSCE Minsk Group peace process. The Minsk Group is co-chaired by France, Russia, and the United States. Along with Azerbaijan and Armenia, Nagorno Karabakh participated in the talks from the time of the 1994 ceasefire agreement until 1997. At that point, former President of Nagorno Karabakh Robert Kocharian assumed the post of Armenian Prime Minister. His participation in the negotiations seemed to represent both Nagorno Karabakh and Armenia, and Nagorno Karabakh representatives ceased to take an official part in the talks. Azerbaijan now refuses to negotiate with Nagorno Karabakh
representatives. On 16 September, Saakian met with the co-chairs of the OSCE Minsk Group for the first time. Perhaps tellingly, he had already met with a group of Russian politicians and other notable figures on 13 September. (7)

Any attempt to resolve Nagorno Karabakh’s status in the foreseeable future will have to take into account the multi-layered connections between Armenian and Nagorno Karabakh politics and politicians. Armenian President Kocharian has stated that the Nagorno Karabakh elections were carried out without Armenian interference, citing as evidence the fact that neither he nor Armenian Prime Minister Serzh Sarkisian traveled to Nagorno Karabakh to back any of the candidates during the campaign. (8) Both Kocharian and Sarkisian are Nagorno Karabakh natives, who transitioned into Armenian politics in the 1990s.

The relationships between Saakian, Kocharian, and Sarkisian are somewhat unclear. In February 1994, Saakian represented Nagorno Karabakh in the meeting that led to a draft of a ceasefire agreement. The significance of those negotiations lay not in the ceasefire (it didn’t hold), but in the other participants. Representing Armenia at the talks was then Defense Minister and current Prime Minister Serzh Sarkisian. (9) Sarkisian is reported to be a strong Saakian supporter. (10) Kocharian, on the other hand, was rumored to have opposed Saakian’s inclusion as national security chief in former Karabakh President Gukasian’s cabinet in 2002, but Saakian was included anyway. (11) Adding to the complex tapestry of Caucasian politics, on 12 October, Saakian met with former Armenian President Levon Ter-Petrosian in Stepanakert. (12) Ter-Petrosian only recently emerged from political seclusion, aiming harsh criticism at Kocharian, who had succeeded him as president in 1998, following clashes over a potential Nagorno Karabakh settlement.

The underlying theme of the issue of personal and political relationships among the three leaders consists of the connections and interweaving of Armenian politics in Nagorno Karabakh. Armenian Prime Minister Sarkisian is a potential
successor to Kocharian, based on the strong performance of his Republican Party in May’s parliamentary elections. The nature of the Kocharian-Saakian relationship certainly will have a strong bearing on the fate of Nagorno-Karabakh for the rest of Kocharian’s tenure. Also, the relationship between Kocharian and Sarkisian will have an effect on Nagorno Karabakh’s ability to play a role in determining its future status. According to some reports, Saakian has Sarkisian’s backing, (13) meaning that any political sparring between Sarkisian and Kocharian within Armenia could have reverberations in the Nagorno Karabakh conflict if Saakian is seen as a Sarkisian protégé. With Armenia’s presidential elections scheduled for February 2008, Kocharian’s political maneuvers (one possible scenario involves him becoming prime minister à la Putin) likely will place Nagorno Karabakh negotiations on hold until Armenian domestic politics are settled.

Azerbaijan also is scheduled to hold presidential elections in the next year. The net result of upcoming elections in Armenia and Azerbaijan is that no resolution of the Nagorno Karabakh’s status is likely until presidential politics in Azerbaijan and Armenia are sorted out. However, if the elections in those two countries produce leaders who are seen to have broad legitimacy, then those leaders might be able to make compromises of the sort required to resolve the Nagorno Karabakh conundrum.

In the meantime, the inclusion of Saakian’s Nagorno Karabakh government in the negotiations is extremely unlikely. Azerbaijan opposes it, and Armenia benefits from being the only representative of the Nagorno Karabakh side of the conflict. Perhaps if a viable opponent to the Kocharian clique contests and wins the next presidential elections, then Kocharian, as a parting gesture, might change his stance on Nagorno Karabakh’s formal inclusion in the Minsk Group process as an attempt both to weaken the president-elect and to accrue power for Kocharian’s potential return to Nagorno Karabakh. However, even with former Armenian president Levon Ter-Petrosian’s recent emergence from relative
political seclusion, an Armenian political scenario that does not include either Kocharian or Sarkisian remains only a remote possibility.

Source Notes:
(2) Ibid.
(4) Kristine Khanumian, “NKR presidential election,” Haykakan Zhamanak, 10 Jan 07; BBC Monitoring Trans Caucasus Unit via Lexis-Nexis.
(5) “Presidential election,” ibid.
(8) “Presidential election,” ibid.
(9) “Nagorno-Karabakh truce agreed, but obstacles remain,” Agence France Presse, 18 Feb 07 via Lexis-Nexis.
Will Karimov win Uzbek elections without waging a campaign?

On September 18, Uzbekistan’s Central Election Commission (CEC) finally announced that new presidential elections indeed would be held before the end of the year, on December 23, ending speculation by many Central Asia watchers as to whether or not President Karimov would bother holding an election campaign at all, regardless of his country’s constitutional requirements. Those who predicted that he would not, may be only half wrong: thus far, although the CEC is making preparations for the balloting process itself, there has been very little in the way of actual campaigning and Karimov has yet to announce his own candidacy.

The campaign period began on September 21 with five parties and one “initiative group of voters” fielding candidates: the Adolat (Justice) Social Democratic Party nominated its central council first secretary, Dilorom Toshmuhammadova; (2) the Milliy Tiklanish (National Revival) Democratic Party nominated its central council chairman, Hurshid Dostmuhamedov (who currently is also deputy speaker of the Uzbek parliament’s Legislative Assembly); (3) the People’s Democratic Party (which, with 41 seats, has the second largest faction in parliament) nominated the leader of its parliamentary faction, Asliddin Rustamov; (4) the Fidokorlar (Self-sacrificers) National Democratic Party nominated its Central Council First Secretary and parliamentary leader, Akhtam Tursunov; (5) and the Liberal Democratic Party of Uzbekistan (UzLiDep) has proposed nominating incumbent President Islom Karimov as its candidate and will discuss his nomination at a party congress scheduled for early November. UzLiDep reportedly enjoys the support of powerful businessmen and entrepreneurs and therefore is considered to be one of the more influential parties. All five parties support President Karimov’s policies for gradual reform. (6) A group of 300 Uzbek citizens has
formed an “initiative group of voters,” as sanctioned by the constitution (7) and nominated its own candidate, Akmal Saidov, who will run as an “independent” candidate. This is the first time that an independent candidate is being permitted to participate in a presidential election, although it is unlikely that his participation will have any effect on the election’s outcome. Apparently several other candidates, including chairman of the opposition Erk Party Muhammad Solih and human rights activists Abdillo Tojiboi ugli and Ahtam Shaimardanov attempted to join the race, but did not “submit all the necessary documents on time,” preventing their names from being included on the ballot. Uzbek electoral law requires that all of the parties and groups sponsoring candidates submit their documents to the CEC no later than 70 days prior to the date of the election. (8) It is quite curious, however, that all of those groups whose candidates’ views do not coincide with those of President Karimov were unable to meet the CEC’s registration deadline.

The campaign itself, now nearly a month underway, promises to progress very quietly. An October 13 broadcast of the television show “Election is the mirror of democracy,” which profiled the five presidential candidates, featured six experts who discussed the nomination and registration process, as well as what qualities potential presidential candidates should possess. (9) Rather oddly, none of the five candidates or any of their supporters was invited to participate in the program, in order to explain their electoral platforms to the voters. Then again, if all five candidates’ views correspond with those of the incumbent president, perhaps providing them with access to state-controlled media is unnecessary; as long as voters are familiar with Karimov’s policies, they have all the knowledge they need in order to make an informed choice for president. In fact, the Uzbek government seems far more concerned about the political influence foreign NGOs might have on voters, than about whether or not Karimov’s opponents are being granted fair and equal access to the state-controlled media. A state radio broadcast in early October on the perfidious influence of NGOs warned listeners: “Certain powerful countries and the centres of political forces, pursuing their own
goals, are trying to occupy other countries by using NGOs. They are trying to occupy the minds of the people of countries which they are going to bring under their area of influence, and thus trying to make them dependant from them…As a conclusion we can say that we should fight and prevent any ideological threat directed against us and our country, and develop further the ideological immunity of young people with unshakeable belief.” (10) With the onset of the presidential campaign, the fears raised by the now mostly defunct “color revolutions” once again appear to be reverberating throughout Uzbekistan’s leadership.

The central question, now that election preparations are underway, is what method President Karimov will choose to maneuver his way around the issue of term limits, in order to remain in power for a third term of office. Karimov has been Uzbekistan’s leader since 1989, when he was appointed as First Secretary of the Uzbek Communist Party Central Committee. His title was changed to “president” in 1990, and in 1991, he won Uzbekistan’s first presidential elections. In 1995, his first term of office was extended via popular referendum until 2000, when he was re-elected for a second term. In 2002, the presidential term of office was extended from five years to seven, once again via popular referendum. (11) Article 90 of Uzbekistan’s constitution currently permits a president to serve only two consecutive terms in office. One option open to President Karimov is to amend the constitution to permit three consecutive terms in office; such an amendment would require approval by a two-thirds majority in parliament (Oliy Majlis), following a nationwide debate on the proposed amendment. (12) Although Karimov surely would have no trouble obtaining parliamentary approval for a third term, he still may consider this process to be bothersome and unwieldy. A second option is for the president to declare that due to the fact the presidential term of office was extended in 2002, he has, in fact, only served one full, seven-year term in office and is therefore free to stand in the December 2007 election. (13) Of course, if parliament and/or the constitutional court could be persuaded to make such an announcement on Karimov’s behalf, it would make his claim to another term virtually ironclad.
Karimov has not yet announced his candidacy; he may be waiting for UzLiDep’s party congress to officially nominate him as a candidate, or perhaps he and his inner circle intend to wait until shortly before the election, in order to give the public as little time as possible to consider the (un)constitutional ramifications of what will, in fact, be his third term in office.

Source Notes:
(2) “Uzbek party moves to nominate its leader for presidential polls,” 28 Sep 07, Uzbek Television First Channel; BBC Worldwide Monitoring via Lexis-Nexis Academic.
Newly Independent States: Western Region

By Tammy Lynch

UKRAINE

Orange again: Yushchenko and Tymoshenko reunite

On 16 October, parties supporting Ukraine’s President Viktor Yushchenko and former Prime Minister Yulia Tymoshenko signed a coalition agreement that will see the return of Tymoshenko as prime minister and the return of an “orange” government after over a year out of power.

The deal came just hours after final results were released by the CEC in the country’s snap parliamentary elections. (Note: At press time, the Kyiv Administrative Court blocked the printing of final results, while it considers an appeal against the results by the Communist Party. The court must release its finding within five days, and it is unlikely to alter the outcome.)
During the elections, the Yulia Tymoshenko Bloc (BYuT) increased its support by over seven percentage points, while the coalition supporting Tymoshenko’s rival, Prime Minister Viktor Yanukovych, saw one of its members (The Socialist Party) fail to pass the threshold to enter parliament. These two factors will allow Tymoshenko to put together a slim parliamentary majority of 228 against 222, consisting of her bloc and Yushchenko’s Our Ukraine-People’s Self-Defense Bloc (OU-PSD). It is a remarkable comeback for two blocs that spent almost 1 ½ years in opposition.

The two groups were consigned to opposition following the 2006 parliamentary elections, when tensions between the two led to months of negotiations to create a majority. Yanukovych was able to use the time to broker a backroom deal with the Socialists, who until that point had been a solid member of the orange coalition. This allowed Yanukovych to become prime minister. The Socialists’ change of allegiances also was one of the primary reasons given by Yushchenko for the dismissal of parliament and calling of the 2007 snap vote. The party, he said, had betrayed Ukrainians who voted for the Socialists, believing the party would support an orange coalition.

In total, the 2007 results show a swing of around 30 seats from Yanukovych’s coalition to Tymoshenko’s. When elections were called, the opposition controlled roughly 200 seats compared to Prime Minister Yanukovych’s 250, out of a total of 450. Now, Tymoshenko’s coalition will control 228 to Yanukovych’s 222.

The coalition agreement wouldn’t have been possible one year ago and could be the latest sign of Ukraine's growing—if nascent—democratic political culture. Indeed, the ability of Yushchenko and Tymoshenko to work together after falling out over two years ago, may signal an understanding by these politicians of their accountability to voters and of the need for cooperation, in order to fulfill their objectives. In particular, Yushchenko has had to recognize Tymoshenko’s
electoral success, which outpaced even the most generous predictions of political pundits.

In the run up to the election, Yushchenko and his bloc often repeated their commitment to a “democratic coalition.” During the last week of the campaign, as polls showed BYuT performing far better than OU-PSD, Yushchenko’s bloc even went so far as to use Tymoshenko’s image in their final campaign advertisement.

Despite this, it is no secret that Yushchenko views Tymoshenko as a potential rival in the upcoming 2010 presidential elections, particularly given that her popularity now outstrips his own. It also is no secret that some within Our Ukraine would prefer a coalition with Yanukovych (based primarily on business ties). However, despite these factors, the president’s bloc has no choice but to follow through on its campaign promises. The fate of the Socialists is a major lesson to politicians, as is the loss in popularity of Our Ukraine after an ill-fated attempt in 2006 to form a coalition with Yanukovych. This new awareness of voter backlash is a major step forward for Ukraine’s political development.

**What can we expect from a Tymoshenko government?**

The coalition agreement released this week clearly states that Tymoshenko will be nominated as premier, based on her bloc’s almost 31% vote tally as compared to OU-PSD’s 14%. The 50 page agreement also delineates post distribution procedures, spells out the coalition’s program (melding the two campaign programs into “Ukrainian Breakthrough: For the People, not Politicians”), and lists fourteen bills that will be introduced before the government is approved.

The first three bills that likely will be submitted are the Law on Opposition, Law on Imperative Mandate and the Law on the Cabinet.
The Law on Opposition, as originally written by BYuT in 2006, would have provided an official opposition at least the same rights as most opposition forces are afforded in Western European parliamentary republics. For example, the bill gave opposition representatives control of important parliamentary committees and introduced the idea of a British style “shadow cabinet.”

The current bill has not been released, but according to Tymoshenko, it maintains most of its original provisions while taking into account a number of changes urged by Yushchenko. These suggestions from Yushchenko include granting the “opposition” ministerial portfolios and control over key state departments (perhaps including the State Property Fund). In this way, Yushchenko said, such “compromises” would unify those in the country who voted for both the majority and the opposition. (1)

This level of capitulation to the “opposition” is unheard of in developed parliamentary republics. Thus, although the US Democratic Party controls the US Senate by only one seat, it would never invite Republicans into the leadership.

If Ukraine is to develop a true majority-minority system that honors and protects the rights of an opposition, undermining the ability of the opposition to criticize the government by inviting it into the government is the worst possible idea.

Perhaps for this reason, Tymoshenko (and reportedly her allies within Yushchenko’s OU-PSD), rejected immediately the idea of providing ministerial portfolios to the Party of Regions. Instead, the coalition is offering one post of Deputy Prime Minister for Relations with the Verkhovna Rada and the opportunity for Deputy Minister posts within a number of ministries. These Deputy Minister posts would be one of at least ten deputy ministers provided to each minister. Moreover, they can be dismissed by the Prime Minister and are not privy to the inner workings of the cabinet.
Tymoshenko’s willingness to accept this compromise signals a continuing respect for Yushchenko’s position and perhaps a new understanding of the need for give and take with her opponents.

The opposition’s powers will make the cabinet’s job much more difficult than it was for Yanukovych, who routinely ignored the opinions both of the opposition and the president. Then, Tymoshenko’s opposition had no legal recourse. Prime Minister Tymoshenko will provide the legal recourse to Yanukovych that was not provided to her.

The Law on Imperative Mandate, which would allow the loss of a deputy mandate for not following the decisions of the bloc’s leader or political council, has been criticized heavily by the Parliamentary Assembly of the Council of Europe (PACE). PACE views the legislation as restricting the free will of individual deputies.

However, while this is a concern in developed parliamentary democracies, Ukraine faces a serious problem with bribery and intimidation inside the Verkhovna Rada. Ukrainian media report frequently on charges that the votes of deputies were bought for millions of dollars.

In 2006, the orange coalition failed when one party summarily changed sides without explanation to support Yanukovych, disavowing years of previous condemnation of him. In 2007, Yanukovych’s majority steadily increased its numbers with defectors from Our Ukraine and BYuT; defections for which no reason was given. When dismissing that parliament, Yushchenko condemned “a policy of intrigues and betrayal” within the Rada.

Following this latest election, representatives from BYuT and Our Ukraine privately worried that the Party of Regions would use various “techniques” to “pull away” deputies from the majority coalition.
This concern led Yuriy Lutsenko, number one on the OU-PSD electoral list, to urge former Prime Minister Yuriy Yekhanurov to leave the bloc. Yekhanurov is said to be close to Yanukovych and has been critical of a majority coalition with BYuT. “If Yuriy Ivanovych (Yekhanurov) or whoever does not like such a format of parliamentary majority,” he said, “and if he believes it to be a mistake, he is free to vacate his seat and then start criticizing us as much as he chooses.” (2)

Despite European concerns about individual rights of deputies, the situation in Ukraine requires legislation that will punish severely members of parliament who actively undermine their own party or bloc. This type of activity has caused serious instability in Ukraine’s parliament and recently led to the need for snap elections. If it is not stopped, Ukraine cannot develop a stable government.

Furthermore, it will be very difficult for the new cabinet to achieve its goals without an imperative mandate law. A thin margin, with a small contingent of hostile deputies, is not workable. A revolt of just four deputies conceivably could block the confirmation of Tymoshenko and lead to yet another political crisis.

It is for this reason that the majority has signaled its intention to fight for passage of the Law on Imperative Mandate before a vote is taken on the new government and before parliamentary committees are formed. Should a portion of Our Ukraine deputies refuse to vote in favor of this law before committees are formed, these deputies could be sidelined by not being awarded committee chairmanships, memberships, prestigious offices or other perks that come with being part of a majority. Once assigned to a committee and office, it would be nearly impossible to remove or to influence them.

In addition to the Law on Imperative Mandate, President Yushchenko, in particular, is interested in alterations to the Law on the Cabinet. That law, passed in early 2007, drastically cut the powers of the president. In many areas,
it appears to contradict the responsibility given to him in the constitution – for example, to oversee foreign and defense policy. Tymoshenko and Lutsenko have vowed to ensure that the law is in line with the constitution and to return to Yushchenko a number of the powers that were removed from him with its original passage.

Tymoshenko’s opponents suggest that her support for reinvesting Yushchenko with powers at the expense of the prime minister signals she will challenge Yushchenko in 2010. However, it is more likely that Tymoshenko will work for a clearer, more balanced distribution of power – at least for now. The BYuT leader reportedly has suggested that she may support Yushchenko for president if he actively supports her policies as Prime Minister. Challenging him now would undermine her ability to enact her program.

Even without the Law on the Cabinet, Ukraine’s prime minister holds significant power, thanks to constitutional changes that came into effect in January 2006. The president would like these changes rescinded in the next parliament and is pushing for it to happen before the confirmation of the new prime minister. Since a constitutional majority of 301 deputies would be necessary, however, it appears unlikely that Yushchenko will be granted this wish. It also is unclear how many BYuT members would support such a move, even though Tymoshenko has been the one politician consistently critical of the constitutional changes.

**The biggest challenges**

Assuming that the Tymoshenko government takes office at the end of the month as planned, it will face numerous daunting challenges.

Most importantly, it will need to negotiate a new gas price with Russia, at a time when energy prices are soaring. Tymoshenko also repeatedly has vowed to renegotiate Ukraine’s current overarching gas deal with Russia with the aim of removing all intermediaries from the process. Primary among these
intermediaries is RosUkrEnergo, a shadowy “broker” between Ukraine and Gazprom. Unfortunately for Ukraine, the broker is half owned by Gazprom, meaning that the country has received extremely unfavorable “deals” over the last several years. (See the new special feature, Energy Politics, for more on this issue.)

In addition to gas negotiations, the new Tymoshenko government will need to decide how to deal with state companies and property that were sold significantly under market value in the final days before the election. The sales of two companies may be challenged in court. In addition, the “sale” of over 3,000 hectares of land in Kyiv by Kyiv Mayor Leonid Chernovetsky already has spawned a court case resulting in an injunction against the transfer of at least some of the land. In fact, it is possible that Chernovetsky could face criminal charges for abuse of power by distributing land in a manner that is alleged to have been outside legal channels.

The new Ukrainian government also will face a number of basic economic problems – inflation that may be as high as 14%, increasing wage and pension arrears, a deficit that exceeds EU requirements, inadequate funding of health care and education, and an inability to provide basic services in some villages.

In an interview prior to the election, Tymoshenko listed the difficulties her new government (if elected) would face. “We often say that we are working 20 hours a day now so that we can work 24 hours a day after the election,” she said. “There are just so many problems. It will take years before everything will be normalized and we can relax.” (3)

Source Notes:
(1) Press Conference Yulia Tymoshenko, 12 Oct 07.
(3) Tymoshenko interview, Bila Tserkva, 12 Sept 07.